



STATE OF TENNESSEE – LOCAL GOVERNMENT  
EMPLOYEE GROUP  
POSTRETIREMENT HEALTH BENEFITS

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*Actuarial Valuation Report  
as of July 1, 2007*



June 24, 2008

Ms. Dianne McKay, CPA  
Financial Oversight, Manager  
Department of Finance and Administration  
312 8<sup>th</sup> Avenue North, 14<sup>th</sup> Floor Tennessee Tower  
Nashville, TN 37243

Dear Ms. McKay:

This report summarizes the results of our actuarial valuation of health benefits for Local Government retirees under the Local Government Group Plan for the fiscal year beginning July 1, 2007. Local Government obligations for the Tennessee Plan are valued separately.

The purposes of this report are to:

1. Estimate the employers obligations for retiree health benefits under the plan as of July 1, 2007
2. Determine the Annual Required Contributions (ARC) for the fiscal year ending June 30, 2008 under GASB 45
3. Provide additional information for planning.

Our results are based on census data and health plan rates provided by the State of Tennessee, and the actuarial methods and assumptions shown in Exhibit 3.

This report is provided solely as guidance for participating local employers. The actuarial assumptions and methods used were developed for the plan as a whole, and may or may not be appropriate for an individual employer. Each employer should determine if these actuarial assumptions and methods are appropriate for its specific demographics and healthcare environment. In addition, local employers that provide other postemployment benefits outside of the State plan will need to separately value and report these benefits.

We certify that we are Members of the American Academy of Actuaries and meet its qualification standards for issuing this Statement of Actuarial Opinion. This valuation was prepared in accordance with our understanding of the requirements of Governmental Accounting Standards Board Statement 45 and the principles of practice prescribed by the Actuarial Standards Board.

Respectfully submitted,

Andrew C. Stratton, FSA, MAAA, EA  
Principal, Consulting Actuary

Amy D. Whaley, FSA, MAAA  
Principal, Consulting Actuary

# Table of Contents

Highlights .....	1
Exhibit 1 Development of Annual Required Contribution .....	2
Exhibit 2 Summary of Census Data .....	3
Exhibit 3 Actuarial Assumptions and Cost Method.....	5
Exhibit 4 Summary of Substantive Plan Provisions.....	11
Exhibit 5 Benefit Design.....	14
Appendix – Results by Employer .....	17

# Highlights

	July 1, 2007 - \$ in thousands		
	Explicit Subsidy	Implicit Subsidy	Total
Present Value of Future Benefits	\$61,754	\$112,031	\$173,785
Unfunded Actuarial Liability	\$32,428	\$52,874	\$85,302
Annual Required Contribution	\$3,784	\$7,114	\$10,898
Discount Rate	4.5%	4.5%	4.5%
Payroll Growth for Amortization Payment	3.0%	3.0%	3.0%
Expected First Year Net Payments	\$801	\$1,062	\$1,863

## Summary of Data

Actives	18,929
Retirees/Surviving Spouse/Spouse Contracts	166
Disableds	1

# Exhibit 1

## *Development of Annual Required Contribution*

(\$ in thousands)

	Explicit Subsidy	Implicit Subsidy	Total
<b>Present Value of Future Benefits</b>			
Retired	\$4,571	\$4,844	\$9,415
Active	\$57,183	\$107,187	\$164,370
Total	\$61,754	\$112,031	\$173,785
<b>Actuarial Liability</b>			
Retired	\$4,571	\$4,844	\$9,415
Active	\$27,857	\$48,030	\$75,887
Total	\$32,428	\$52,874	\$85,302
<b>Fair Value of Plan Assets</b>	–	–	–
<b>Unfunded Actuarial Liability</b>	\$32,428	\$52,874	\$85,302
<b>Expected First Year Net Payments</b>	\$801	\$1,062	\$1,863
<b>Annual Required Contribution</b>			
Normal Cost	\$2,402	\$4,860	\$7,262
Amortization of Unfunded Actuarial Liability	\$1,382	\$2,254	\$3,636
Total	\$3,784	\$7,114	\$10,898

# Exhibit 2

## Summary of Census Data

Active Employees											
Attained Age	Completed Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
<b>Under 25</b>	355	451	23								829
<b>25 to 29</b>	356	843	429	18							1,646
<b>30 to 34</b>	256	648	624	220	17						1,765
<b>35 to 39</b>	284	684	678	456	217	14					2,333
<b>40 to 44</b>	214	579	664	416	287	118	19				2,297
<b>45 to 49</b>	217	573	638	405	334	153	108	15			2,443
<b>50 to 54</b>	198	559	627	414	357	187	120	75	6		2,543
<b>55 to 59</b>	167	439	553	396	285	159	102	83	27	3	2,214
<b>60 to 64</b>	77	261	363	225	223	107	93	60	42	12	1,463
<b>65 &amp; over</b>	33	135	256	261	295	178	85	75	35	43	1,396
<b>Total</b>	2,157	5,172	4,855	2,811	2,015	916	527	308	110	58	18,929

## Exhibit 2

### Summary of Census Data

*(continued)*

<b>Retirees/Surviving Spouses, Spouses, and Disabled Former Employees</b>			
<b>Attained Age</b>	<b>Retirees/Surviving Spouses/Spouse Contracts</b>	<b>Disableds</b>	<b>Total</b>
<b>Under 40</b>	0	0	0
<b>40 to 44</b>	1	0	1
<b>45 to 49</b>	5	0	5
<b>50 to 54</b>	7	0	7
<b>55 to 59</b>	27	0	27
<b>60 to 64</b>	115	1	116
<b>65 to 69</b>	10	0	10
<b>70 to 74</b>	1	0	1
<b>75 to 79</b>	0	0	0
<b>80 to 84</b>	0	0	0
<b>85 to 89</b>	0	0	0
<b>90 to 94</b>	0	0	0
<b>95 to 99</b>	0	0	0
<b>100 and Over</b>	0	0	0
<b>Total</b>	166	1	167

# Exhibit 3

## *Actuarial Assumptions and Cost Method*

**Valuation Date:** July 1, 2007

**Discount Rate:** 4.5%

**Cost Method:** Projected Unit Credit with benefits attributed pro rata from date of hire to assumed termination of employment.

**Amortization Method:** 30 year level percentage of payroll assuming total annual payroll growth of 3%.

**Preretirement Mortality:**

Age	Male	Female
20	0.04%	0.02%
30	0.06	0.02
40	0.07	0.05
50	0.18	0.10
60	0.56	0.31
70	1.66	0.96
80	4.34	2.75
90	10.69	8.13

**Postretirement Mortality:**

Age	Male	Female	Disabled
20	0.08%	0.04%	3.55%
30	0.12	0.05	2.17
40	0.16	0.09	2.20
50	0.39	0.19	2.74
60	1.08	0.67	3.95
70	2.56	1.55	5.32
80	7.28	4.45	8.70
90	16.49	14.15	18.03

**Disability Rates:**

Age	Male	Female
20	0.04%	0.04%
25	0.04	0.04
30	0.04	0.04
35	0.04	0.04
40	0.10	0.10
45	0.26	0.26
50	0.45	0.45
55	0.55	0.55
60	0.00	0.00

# Exhibit 3

## *Actuarial Assumptions and Cost Method*

(continued)

**Service Retirement Rates:** Retirement rates prior to age 60 apply only if the participant has completed 30 years of service.

Age	Rate	Age	Rate
50	6.0%	63	16.5%
51	6.0	64	17.5
52	6.5	65	26.0
53	6.5	66	18.5
54	7.5	67	16.0
55	7.5	68	16.0
56	8.0	69	16.5
57	9.5	70	18.0
58	10.5	71	18.0
59	10.5	72	18.0
60	9.5	73	18.0
61	15.0	74	18.0
62	24.5	75	100.0

Additional rate of retirement in the year in which an active first reaches age 60 and 15 years of service

4.0%

Additional rate of retirement in the year in which an active prior to age 60 first reaches 30 years of service

10.0%

### Sample Termination and Early Retirement Rates<sup>1</sup>

Age	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	Male <sup>2</sup>	Female <sup>2</sup>
20	25.57%	21.57%	13.61%	20.38%
25	22.55	18.50	10.08	15.48
30	21.44	17.25	7.02	10.86
35	20.32	16.00	4.67	7.23
40	19.20	14.75	3.18	4.93
45	18.09	13.50	2.58	3.84
50	16.97	12.25	2.75	3.60
55	16.30	11.50	3.49	4.02
60	16.30	11.50	4.18	4.65

<sup>1</sup> Termination rates cease at the earlier of age 60 and 30 years of service

<sup>2</sup> Ultimate rates apply beginning on an employee's 3<sup>rd</sup> year of employment.

# Exhibit 3

## Actuarial Assumptions and Cost Method

*(continued)*

**Plan Participation  
For Future Retirees  
And Spouses:**

Eligible employees and spouses are assumed to elect coverage based upon the level of subsidy provided, which varies by employer. Eligible members are assumed to elect immediate coverage at assumed termination of employment. The chart on the next page details these assumptions for each employer.

Participants are assumed to choose between plans based upon relative plan subsidies as follows:

<b>Plan Election Assumption</b>	<b>High PPO</b>	<b>Medium PPO</b>	<b>Low PPO</b>
PPO	55%	50%	40%
PPO Limited	0	0	0
POS	45	45	30
HMO	0	5	30

For each employer, the assumed participation rate, spouse participation rate, and plan election assumptions are shown below.

**Assumed Participation for Future Retirees**

<b>City</b>	<b>Service Requirement</b>	<b>Retiree Participation</b>	<b>Spouse Coverage Rate</b>	<b>Plan Election</b>
Bradley County Government	30+	100%	20%	Medium PPO
Bradley County Government	<30	70%	20%	Medium PPO
City of Belle Meade		80%	50%	Medium PPO
City of Eastridge	25+	100%	70%	Medium PPO
City of Eastridge	16-24	85%	50%	Medium PPO
City of Eastridge	10-15	70%	50%	Medium PPO
City of Harriman		95%	20%	Medium PPO
City of Humboldt		100%	20%	High PPO
City of Lawrenceburg		100%	70%	High PPO
City of Oak Ridge		50%	50%	Medium PPO
City of Portland		100%	20%	Medium PPO
City of Ripley	30+ (age 60)	80%	50%	Medium PPO
City of Ripley	20-29 (age 60)	70%	50%	Medium PPO
City of Ripley	10-19 (age 60)	60%	50%	Medium PPO
City of Ripley	Others (not 60)	20%	20%	Medium PPO
Dickson Electric System		60%	20%	Medium PPO

## Exhibit 3

### *Actuarial Assumptions and Cost Method*

*(continued)*

City	Service Requirement	Retiree Participation	Spouse Coverage Rate	Plan Election
First Utility District of Hawkins Co		100%	70%	Medium PPO
Hawkins County Government		80%	50%	Low PPO
Hickman County Government		95%	50%	Medium PPO
Hickman County Highway Dept		100%	50%	Medium PPO
Lawrence Co 911		100%	70%	High PPO
Lawrenceburg Housing Authority		100%	20%	High PPO
Lexington Electric System		100%	70%	High PPO
Murfreesboro Electric Department		95%	50%	Medium PPO
Roane County Government		95%	50%	Medium PPO
Tipton County Government		95%	50%	Medium PPO
Town of Centerville	30+	100%	20%	High PPO
Town of Centerville	<30	20%	20%	High PPO
Unsubsidized Local Governments		20%	20%	Medium PPO

**Plan Participation**

**For Current Retirees:** Current participants in the plan are assumed to continue coverage until age 65.

**Spouse Assumptions:** For future retirees, males are assumed to be 4 years older than females. Current spouse birth dates are used for current retirees. 50% of surviving spouses are assumed to receive a TCRS survivor pension.

# Exhibit 3

## *Actuarial Assumptions and Cost Method*

(continued)

**Medical Plan Costs:** Estimated net per capita monthly incurred claim costs for 2007 – 2008, including administrative expenses:

Age	Claims Cost
50	\$7,713
55	9,231
60	10,874
65*	5,632
70*	6,453
75*	7,395

\*Costs at age 65 and over apply to a limited number of grandfathered people only

Costs were developed from reported incurred medical and prescription drug claims experience and administrative costs for 2005 and 2006.

The assumed premium level and HMO plan area are shown below.

City	Premium Level	HMO Area
Bradley County Government	1	East
City of Belle Meade	1	Nashville
City of Eastridge	1	East
City of Harriman	1	East
City of Humboldt	1	N/A
City of Lawrenceburg	1	N/A
City of Oak Ridge	1	East
City of Portland	1	Nashville
City of Ripley	1	Memphis
Dickson Electric System	3	Nashville
First Utility District of Hawkins Co	1	East
Hawkins County Government	2	East
Hickman County Government	1	Nashville
Hickman County Highway Dept	1	Nashville
Lawrence Co 911	1	N/A
Lawrenceburg Housing Authority	1	N/A
Lexington Electric System	1	N/A
Murfreesboro Electric Department	2	Nashville
Roane County Government	1	East
Tipton County Government	1	Memphis
Town of Centerville	1	N/A
Unsubsidized Local Governments*	1, 2, or 3*	Any**

# Exhibit 3

## *Actuarial Assumptions and Cost Method*

*(continued)*

\*Unsubsidized Local Governments can be in level 1, 2, or 3. We are assuming all are in level 1.

\*\*Unsubsidized Local Governments can be in Memphis, Nashville, or East HMOs (or have none available). We are assuming all are in Nashville.

**Assumed  
Contributions:**

Contributions are assumed to increase with trend, both for the retiree and for the local government.

**Health Care Cost  
Trend Rates:**

2007 to 2008 trend was 12%. Health Care cost trend rates to be applied to expected future claims, contributions, and premiums:

Calendar Year	Rate
2008 to 2009	11.0%
2009 to 2010	10.5
2010 to 2011	10.0
2011 to 2012	9.5
2012 to 2013	9.0
2013 to 2014	8.5
2014 to 2015	8.0
2015 to 2016	7.5
2016 to 2017	7.0
2017 to 2018	6.5
2018 to 2019	6.0
2019 to 2020	5.5
2020 to 2021	5.0

**Subsidies:**

Explicit subsidy – employer portion of blended premium  
 Implicit subsidy – difference between age-adjusted claims/admin and blended premiums

**Census Data:**

Collected as of July 1, 2007. The data was not audited by Buck Consultants. When an employee was listed under both a retiree contract and a spouse contract, with participation in both the pre-65 and the Tennessee plan, the pre-65 record is treated as the spouse record for valuation purposes.

# Exhibit 4

## Summary of Substantive Plan Provisions

**Eligibility:** TCRS participants with state medical benefits are eligible for health coverage following service retirement or early retirement, which are generally as follows:

- Service retirement: age 60 and 10 years of service, or 30 years of service
- Early retirement: age 55 and 10 years of service, or 25 years of service

Similar requirements generally apply to ORP and other non-TCRS participants.

Retirees with less than 20 years of service must participate in the state medical plan for the 3 years prior to retirement and must begin retiree coverage immediately upon retirement. Retirees with 20 years of service must participate for the year prior to retirement and must begin retiree coverage within 5 years of retirement.

*Spouse coverage:* Spouses may participate in the Plan. When a retiree dies, surviving spouses may remain in the plan for six months for free. After that, if the surviving spouse receives a TCRS survivor pension, the spouse may participate and pay a “retiree only or spouse only” rate.

*Disabled coverage:* Disabled employees who leave employment with five or more years of service may participate.

*Medicare eligibility:* Disabled members with Medicare remain in the Plan until age 65. A few participants, generally without Medicare, can stay in the plan beyond age 65.

**Premiums:** Premiums vary by level based upon the age/sex characteristics and/or claims experience of an entire group (blended between active and retiree) when the group joins the State plan. This level never changes from its initial determination. Premiums are set by the State on January 1st of each year to pay for claims and administration of the entire Local Government group (active and retiree). Calendar year 2008 monthly premiums are shown below.

Calendar 2008 Premiums	Level 1	Level 2	Level 3
PPO Plan Single Coverage	\$517.84	\$569.72	\$621.53
PPO Plan Family Coverage	\$1,293.02	\$1,422.36	\$1,551.64
PPO Limited Plan Single Coverage	\$349.46	\$384.47	\$419.43
PPO Limited Plan Family Coverage	\$872.58	\$959.86	\$1,047.11
POS Plan Single Coverage	\$497.63	\$547.42	\$597.18
POS Plan Family Coverage	\$1,242.44	\$1,366.71	\$1,490.97
HMO - Memphis Single Coverage	\$466.93	\$513.65	\$560.37
HMO - Memphis Family Coverage	\$1,165.77	\$1,282.40	\$1,399.03
HMO - Nashville Single Coverage	\$479.42	\$527.36	\$575.33
HMO - Nashville Family Coverage	\$1,196.93	\$1,316.65	\$1,436.37
HMO - East Single Coverage	\$512.40	\$563.70	\$ 614.94
HMO - East Family Coverage	\$1,279.35	\$1,407.30	\$1,535.17

# Exhibit 4

## Summary of Substantive Plan Provisions

(continued)

**Contributions:** 2007 explicit subsidies provided by each employer are shown below.

City	Service Requirement	PPO Plan Single Coverage	PPO Plan Family Coverage	PPO Limited Plan Single Coverage	PPO Limited Plan Family Coverage	POS Plan Single Coverage	POS Plan Family Coverage	HMO Plan (if option) Single Coverage	HMO Plan (if option) Family Coverage
Bradley County Government	30+	\$462.36	\$462.36	\$312.03	\$312.03	\$444.31	\$444.31	\$457.50	\$457.50
Bradley County Government	<30	\$231.18	\$231.18	\$156.01	\$156.01	\$222.15	\$222.15	\$228.75	\$228.75
City of Belle Meade		\$298.16	\$798.43	\$193.46	\$483.04	\$275.47	\$715.36	\$265.39	\$662.58
City of Eastridge	25+	\$462.36	\$1,154.48	\$312.03	\$779.09	\$444.31	\$1,109.32	\$457.50	\$1,142.28
City of Eastridge	16-24	\$346.77	\$865.86	\$234.02	\$584.32	\$333.23	\$831.99	\$343.13	\$856.71
City of Eastridge	10-15	\$231.18	\$577.24	\$156.02	\$389.55	\$222.16	\$554.66	\$228.75	\$571.14
City of Harriman		\$412.36	\$412.36	\$262.03	\$262.03	\$394.31	\$394.30	\$407.50	\$407.50
City of Humboldt		\$462.36	\$462.36	\$312.03	\$312.03	\$444.31	\$454.31	N/A	N/A
City of Lawrenceburg		\$462.36	\$1,054.48	\$312.03	\$679.09	\$444.31	\$1,009.32	N/A	N/A
City of Oak Ridge		\$115.59	\$288.62	\$78.02	\$194.77	\$111.07	\$277.33	\$114.38	\$285.57
City of Portland		\$462.36	\$464.36	\$312.03	\$312.09	\$444.31	\$444.31	\$428.05	\$428.05
City of Ripley	30+ (age 60)	\$277.42	\$692.69	\$187.22	\$467.45	\$266.59	\$665.59	\$249.71	\$624.52
City of Ripley	20-29 (age 60)	\$231.18	\$577.24	\$156.02	\$389.55	\$222.16	\$554.66	\$208.10	\$520.44
City of Ripley	10-19 (age 60)	\$184.94	\$461.79	\$184.94	\$311.64	\$177.72	\$443.73	\$166.48	\$416.35
City of Ripley	Not age 60	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dickson Electric System		\$187.25	\$187.25	\$187.24	\$187.25	\$187.25	\$187.25	\$187.25	\$187.25
First Utility District of Hawkins Co		\$462.36	\$1,154.48	\$312.03	\$779.09	\$4,444.31	\$1,109.32	\$457.50	\$1,142.28
Hawkins County Government		\$330.64	\$825.48	\$223.13	\$557.06	\$317.70	\$793.18	\$427.14	\$845.07
Hickman County Government		\$439.24	\$785.05	\$296.43	\$529.78	\$422.09	\$754.34	\$406.65	\$726.70
Hickman County Highway Dept		\$462.36	\$865.86	\$312.03	\$584.32	\$444.31	\$831.99	\$428.05	\$801.51
Lawrence Co 911		\$462.36	\$1,054.48	\$312.03	\$679.09	\$444.31	\$1,009.32	N/A	N/A
Lawrenceburg Housing Authority		\$462.36	\$462.36	\$312.03	\$312.03	\$444.31	\$444.31	N/A	N/A
Lexington Electric System		\$462.36	\$1,154.48	\$312.03	\$779.09	\$444.31	\$1,109.32	N/A	N/A

## Exhibit 4

### Summary of Substantive Plan Provisions

(continued)

City	Service Requirement	PPO Plan Single Coverage	PPO Plan Family Coverage	PPO Limited Plan Single Coverage	PPO Limited Plan Family Coverage	POS Plan Single Coverage	POS Plan Family Coverage	HMO Plan (if option) Single Coverage	HMO Plan (if option) Family Coverage
Murfreesboro Electric Department		\$457.81	\$1,142.96	\$308.95	\$771.32	\$439.89	\$1,098.25	\$423.77	\$1,058.02
Roane County Government		\$439.24	\$785.30	\$296.43	\$529.95	\$422.09	\$754.60	\$434.62	\$777.01
Tipton County Government		\$408.36	\$924.48	\$258.03	\$549.09	\$390.31	\$879.32	\$362.19	\$912.28
Town of Centerville	30+	\$462.36	\$462.36	\$312.03	\$312.03	\$444.31	\$444.31	N/A	N/A
Town of Centerville	<30	\$-	\$-	\$-	\$-	\$-	\$-	N/A	N/A
Unsubsidized Local Governments		\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-

# Exhibit 5

## Benefit Design

### Benefit Design: (Effective January 1, 2008)

	PPO Option		PPO Limited Option		POS Option		HMO Option
	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network	
Preexisting Condition Requirement	6 months if no immediately prior coverage		6 months if no immediately prior coverage		6 months if no immediately prior coverage		None
Annual Medical Deductible *	\$300 per individual; \$750 family *		\$500 per individual; \$1,500 family *		None	\$300 per individual; \$750 family	None
Annual Out-of-Pocket Maximum (excludes MHSAs and pharmacy)	\$1,300 per individual; \$2,600 family	\$3,900 per individual; \$7,800 family	\$5,500 per individual; \$11,500 family	\$16,500 per individual; \$33,000 family	None		None
Annual Physical Exam – Adult	90% of MAC	70% of MAC	80% of MAC	60% of MAC	100% benefit	70% of MAC after deductible	\$15 copay PCP; \$20 copay specialist
Physician Office Visit	90% of MAC	70% of MAC	80% of MAC	60% of MAC	\$20 copay general; \$25 copay specialist	70% of MAC after deductible	\$15 copay PCP; \$20 copay specialist
Maternity	90% of MAC	70% of MAC	80% of MAC	60% of MAC	\$20 copay general; \$25 copay specialist, first visit only; \$100 copay hospital admission	\$300 copay, then 70% per diem after deductible	\$15 copay PCP; \$25 copay specialist, first visit only; \$100 copay hospital admission
Well Child Checkup and Immunizations	90% of MAC; 12 visits covered through age 5, annually for ages 6-17	70% of MAC; 12 visits covered through age 5, annually for ages 6-17	80% of MAC; 12 visits covered through age 5, annually for ages 6-17	60% of MAC; 12 visits covered through age 5, annually for ages 6-17	100% benefit; 12 visits covered through age 5, annually for ages 6-17	70% of MAC; 12 visits covered through age 5, annually for ages 6-17	\$15 copay PCP; \$20 copay specialist; 12 visits covered through age 5, annually for ages 6-17
Lab and X-ray	90% of MAC	70% of MAC	80% of MAC	60% of MAC	100% benefit	70% of MAC after deductible	100% benefit
Physical, Speech, and Occupational Therapy	90% of MAC; Some limitations may apply	70% of MAC; Some limitations may apply	80% of MAC; Some limitations may apply	60% of MAC; Some limitations may apply	\$20 copay per visit; Limited to 45 visits per year, per condition	70% of MAC; Limited to 45 visits per year, per condition after deductible	\$15 copay per visit; Limited to 45 visits per year, per condition

# Exhibit 5

## Benefit Design

(continued)

	PPO Option		PPO Limited Option		POS Option		HMO Option
	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network	
Chiropractic Care	90% of MAC; Maintenance visits not covered when no additional progress is apparent or expected to occur	70% of MAC; Maintenance visits not covered when no additional progress is apparent or expected to occur	80% of MAC; Maintenance visits not covered when no additional progress is apparent or expected to occur	60% of MAC; Maintenance visits not covered when no additional progress is apparent or expected to occur	\$20 copay; Maintenance visits not covered when no additional progress is apparent or expected to occur	70% of MAC; Maintenance visits not covered when no additional progress is apparent or expected to occur	\$15 copay; Maintenance visits not covered when no additional progress is apparent or expected to occur
Ambulance Service-Air and Ground	80% of reasonable charges when deemed medically necessary by claims administrator		80% of reasonable charges when deemed medically necessary by claims administrator		100% of reasonable charges when deemed medically necessary by claims administrator		100% of reasonable charges when deemed medically necessary by claims administrator
Emergency Room	\$50 copay per visit (waived if certain conditions are met); 90% of MAC	\$50 copay per visit (waived if certain conditions are met); 70% of MAC	\$50 copay per visit (waived if certain conditions are met); 80% of MAC	\$50 copay per visit (waived if certain conditions are met); 60% of MAC	\$50 copay per visit (waived if certain conditions are met)	\$50 copay per visit, then 70% of MAC after deductible (waived if certain conditions are met)	\$50 copay per visit (waived if certain conditions are met)
Hospital Care	90% of MAC	70% of MAC	80% of MAC	60% of MAC	\$100 per admission	\$300 per admission, then 70% per diem after deductible	\$100 per admission
Prescription Drug Coinsurance/Copay **	\$5 generic \$20 preferred brand \$40 non-preferred brand**	\$5 generic \$20 preferred \$40 non-preferred + amount exceeding MAC **	0% generic 20% preferred brand 40% non-preferred brand**	0% generic 20% preferred 40% non-preferred + amount exceeding MAC **	\$5 generic \$20 preferred brand \$40 non-preferred brand**	70% of MAC after deductible	\$5 generic \$20 preferred brand \$40 non-preferred brand**
Annual Pharmacy Copay Maximum	\$1,500 per individual **		None		None		None

# Exhibit 5

## Benefit Design

(continued)

	PPO Option		PPO Limited Option		POS Option		HMO Option
	In-Network	Out-of-Network	In-Network	Out-of-Network	In-Network	Out-of-Network	
Mental Health Inpatient* (preauthorization required)	90% of MAC; Limited to 45 days per year	70% of MAC; Limited to 45 days per year	80% of MAC; Limited to 45 days per year	60% of MAC; Limited to 45 days per year	\$100 copay per admission; Limited to 30 days per year	Not covered	\$100 copay per admission; Limited to 30 days per year
Substance Abuse Inpatient* (preauthorization required)	90% of MAC; Limited to two 5-day detox stays per lifetime; plus two 28-day lifetime stays	70% of MAC; Limited to two 5-day detox stays per lifetime; plus two 28-day lifetime stays	80% of MAC; Limited to two 5-day detox stays per lifetime; plus two 28-day lifetime stays	60% of MAC; Limited to two 5-day detox stays per lifetime; plus two 28-day lifetime stays	\$100 copay per admission; Limited to two 5-day detox stays per lifetime; plus two 28-day lifetime stays	Not covered	\$100 copay per admission; Limited to two 5-day detox stays per lifetime; plus two 28-day lifetime stays
Mental Health/Substance Abuse Outpatient* (preauthorization required)	Sessions 1-15: \$5 copay/session Sessions 16-45: \$25 copay/session Limited to 45 sessions per year mental health and substance abuse combined	Sessions 1-15: \$40 copay/session Sessions 16-45: \$100 copay/session Limited to 45 sessions per year mental health and substance abuse combined	Sessions 1-15: \$5 copay/session Sessions 16-45: \$25 copay/session Limited to 45 sessions per year mental health and substance abuse combined	Sessions 1-15: \$40 copay/session Sessions 16-45: \$100 copay/session Limited to 45 sessions per year mental health and substance abuse combined	\$25 copay per session; Limited to 45 sessions per year mental health and substance abuse combined	Not covered	\$20 copay per session; Limited to 45 sessions per year mental health and substance abuse combined

\* Separate \$150 deductible for mental health/substance abuse care required under the PPO and PPO Limited; Benefits must be preauthorized by Magellan Health Services to be reimbursed at the highest level for the PPO and PPO Limited. If preauthorization is not obtained, benefits will be reduced for the PPO and PPO Limited and denied for the POS and HMO.

\*\* Does not apply to annual medical deductible or the annual medical out-of-pocket, if applicable. If cost of prescription is less than the copay, the lesser amount will apply. Extended prescriptions written for 90-102 days (as authorized by the claims administrator) available for one copay when using home delivery or certain participating retail pharmacies.

# Appendix

## Results by Employer (Dollars in Thousands)

### Explicit Subsidy

Employer	Count		Actuarial Liability		Benefit Payment	Normal Cost	ARC
	Retirees, Spouses, Surviving Spouses & Disabled Employees	Active	Retirees, Spouses, Surviving Spouses, & Disabled Employees	Active			
Bradley County Government	5	559	\$45	\$2,223	\$29	\$253	\$350
City of Belle Meade	3	27	\$316	\$285	\$26	\$24	\$50
City of Eastridge	5	130	\$365	\$2,797	\$68	\$224	\$359
City of Harriman	1	69	\$110	\$506	\$9	\$53	\$79
City of Humboldt	2	73	\$93	\$1,237	\$18	\$72	\$129
City of Lawrenceburg	19	23	\$1,102	\$697	\$137	\$56	\$133
City of Oak Ridge	14	342	\$254	\$634	\$24	\$93	\$131
City of Portland	7	118	\$265	\$1,256	\$48	\$110	\$175
City of Ripley	1	70	\$0	\$266	\$1	\$29	\$40
Dickson Electric System	0	63	\$0	\$252	\$2	\$16	\$27
First Utility District of Hawkins Co	0	19	\$0	\$864	\$4	\$55	\$92
Hawkins County Government	6	317	\$553	\$2,893	\$79	\$277	\$424
Hickman County Government	3	138	\$47	\$1,778	\$27	\$169	\$247
Hickman County Highway Dept	1	41	\$18	\$851	\$12	\$63	\$100
Lawrence Co 911	0	17	\$0	\$302	\$3	\$32	\$45
Lawrenceburg Housing Authority	1	10	\$6	\$115	\$8	\$7	\$12
Lexington Electric System	13	52	\$1,022	\$3,144	\$168	\$151	\$329
Murfreesboro Electric Department	7	69	\$277	\$2,080	\$55	\$140	\$240
Roane County Government	2	250	\$75	\$2,429	\$36	\$264	\$371
Tipton County Government	0	258	\$0	\$3,048	\$33	\$304	\$434
Town of Centerville	2	54	\$23	\$200	\$14	\$10	\$20
Non-contributing Local employers	75	16,230	\$0	\$0	\$0	\$0	\$0
<b>Total – Explicit Subsidy</b>	<b>167</b>	<b>18,929</b>	<b>\$4,571</b>	<b>\$27,857</b>	<b>\$801</b>	<b>\$2,402</b>	<b>\$3,784</b>

# Appendix

## Results by Employer (Dollars in Thousands)

### Implicit Subsidy

Employer	Count		Actuarial Liability		Benefit Payment	Normal Cost	ARC
	Retirees, Spouses, Surviving Spouses & Disabled Employees	Active	Retirees, Spouses, Surviving Spouses, & Disabled Employees	Active			
Bradley County Government	5	559	\$108	\$3,057	\$51	\$382	\$517
City of Belle Meade	3	27	\$141	\$269	\$15	\$21	\$38
City of Eastridge	5	130	\$250	\$1,538	\$39	\$132	\$208
City of Harriman	1	69	\$38	\$592	\$3	\$59	\$86
City of Humboldt	2	73	\$88	\$1,211	\$13	\$71	\$126
City of Lawrenceburg	19	23	\$557	\$340	\$85	\$28	\$66
City of Oak Ridge	14	342	\$508	\$1,496	\$41	\$215	\$300
City of Portland	7	118	\$203	\$1,246	\$35	\$114	\$176
City of Ripley	1	70	\$95	\$413	\$4	\$45	\$67
Dickson Electric System	0	63	\$0	\$434	\$3	\$27	\$45
First Utility District of Hawkins Co	0	19	\$0	\$413	\$1	\$26	\$44
Hawkins County Government	6	317	\$244	\$1,970	\$40	\$185	\$279
Hickman County Government	3	138	\$51	\$1,403	\$27	\$135	\$197
Hickman County Highway Dept	1	41	\$20	\$588	\$10	\$45	\$71
Lawrence Co 911	0	17	\$0	\$204	\$3	\$21	\$30
Lawrenceburg Housing Authority	1	10	\$7	\$128	\$9	\$8	\$14
Lexington Electric System	13	52	\$554	\$1,434	\$80	\$71	\$156
Murfreesboro Electric Department	7	69	\$147	\$1,014	\$28	\$68	\$117
Roane County Government	2	250	\$77	\$2,080	\$28	\$223	\$315
Tipton County Government	0	258	\$0	\$2,272	\$25	\$223	\$320
Town of Centerville	2	54	\$27	\$278	\$16	\$19	\$32
Non-contributing Local employers	75	16,230	\$1,729	\$25,650	\$506	\$2,742	\$3,909
<b>Total – Implicit Subsidy</b>	<b>167</b>	<b>18,929</b>	<b>\$4,844</b>	<b>\$48,030</b>	<b>\$1,062</b>	<b>\$4,860</b>	<b>\$7,114</b>

# Appendix

## Results by Employer (Dollars in Thousands)

### Implicit and Explicit Subsidy

Employer	Count		Actuarial Liability		Benefit Payment	Normal Cost	ARC
	Retirees, Spouses, Surviving Spouses & Disabled Employees	Active	Retirees, Spouses, Surviving Spouses, & Disabled Employees	Active			
Bradley County Government	5	559	\$153	\$5,280	\$80	\$635	\$867
City of Belle Meade	3	27	\$457	\$554	\$41	\$45	\$88
City of Eastridge	5	130	\$615	\$4,335	\$107	\$356	\$567
City of Harriman	1	69	\$148	\$1,098	\$12	\$112	\$165
City of Humboldt	2	73	\$181	\$2,448	\$31	\$143	\$255
City of Lawrenceburg	19	23	\$1,659	\$1,037	\$222	\$84	\$199
City of Oak Ridge	14	342	\$762	\$2,130	\$65	\$308	\$431
City of Portland	7	118	\$468	\$2,502	\$83	\$224	\$351
City of Ripley	1	70	\$95	\$679	\$5	\$74	\$107
Dickson Electric System	-	63	\$0	\$686	\$5	\$43	\$72
First Utility District of Hawkins Co	-	19	\$0	\$1,277	\$5	\$81	\$136
Hawkins County Government	6	317	\$797	\$4,863	\$119	\$462	\$703
Hickman County Government	3	138	\$98	\$3,181	\$54	\$304	\$444
Hickman County Highway Dept	1	41	\$38	\$1,439	\$22	\$108	\$171
Lawrence Co 911	-	17	\$0	\$506	\$6	\$53	\$75
Lawrenceburg Housing Authority	1	10	\$13	\$243	\$17	\$15	\$26
Lexington Electric System	13	52	\$1,576	\$4,578	\$248	\$222	\$485
Murfreesboro Electric Department	7	69	\$424	\$3,094	\$83	\$208	\$357
Roane County Government	2	250	\$152	\$4,509	\$64	\$487	\$686
Tipton County Government	-	258	\$0	\$5,320	\$58	\$527	\$754
Town of Centerville	2	54	\$50	\$478	\$30	\$29	\$52
Non-contributing Local employers	75	16,230	\$1,729	\$25,650	\$506	\$2,742	\$3,909
<b>Total – Implicit + Explicit Subsidy</b>	<b>167</b>	<b>18,929</b>	<b>\$9,415</b>	<b>\$75,887</b>	<b>\$1,863</b>	<b>\$7,262</b>	<b>\$10,898</b>